1999/2000 ANNUAL REPORT

Fleet Vehicles Agency

100-07636/

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Fleet Vehicles Agency is
an Agency of Manitoba Government Services

Letter from the Minister

July 17, 2000

The Honourable Peter M. Liba
Lieutenant Governor of Manitoba
Room 235, Legislative Building
Winnipeg, Manitoba R3C 0V8

May It Please Your Honour:

It is my privilege and pleasure to present the Annual Report of Fleet Vehicles Agency (*FLEET*) for the fiscal year ended March 31, 2000.

As you may know, *FLEET* was the flagship for Special Operating Agencies in Canada at the provincial level, and has served as a model for the other 16 Agencies currently within Manitoba. This Report marks the completion of its eighth year.

Sincerely yours,

Steve Ashton

Steve Ashton
Minister of Highways and Government Services

Letter from the Deputy Minister

July 17, 2000

The Honourable Steve Ashton
Minister Responsible for Fleet Vehicles Agency
Highways and Government Services
Room 203, Legislative Building
Winnipeg, Manitoba R3C 0V8

Dear Mr. Minister:

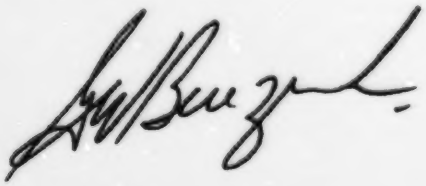
I am very pleased to submit for your review and consideration the Annual Report of Fleet Vehicles Agency (*FLEET*) for the year ended March 31, 2000. This Report marks the completion of *FLEET*'s eighth year as a Special Operating Agency.

A highlight of the year for the management and staff at *FLEET* was the completion of the Systems Design and Testing phases of *FLEET*'s new equipment management package, Keys-Version 1.0. Keys has been two years in the "making," and replaces an off-the-shelf Equipment Management System package that had simply outlived its usefulness to *FLEET*. The Keys project earned *FLEET*'s Information Technology team nominations in two categories (Innovation Award and Service Excellence Team Award) at the June 2000 Manitoba Service Excellence Awards ceremony.

A review of the 1999/2000 performance information and operating results once again portrays the obvious commitment and dedication exhibited by the management and staff at *FLEET*. Of special note to me is the 39.6 days sales in receivables ratio—a goal that I know the *FLEET* management worked long and hard to achieve.

I am both personally and as the chairperson of the Advisory Board extremely pleased with the continued success of *FLEET*.

Yours truly,



Gerry Berezuk
A/Deputy Minister and Chairperson of
Fleet Vehicles Agency Advisory Board

Profile and Direction of Fleet Vehicles Agency

Fleet Vehicles Agency (*FLEET*) has one of the larger single fleets of vehicles in Manitoba and, as an agency within Manitoba Government Services, our main clients are the departments, agencies and crown corporations of the provincial government. As a supplier of complete vehicle management services, we are, however, in the initial stages of exploring new market opportunities to provide our services to broader public sector organizations throughout the Province.

The fleet currently consists of more than 2,500 vehicles including trucks (51%), vans (32%) and sedans (17%) operating from more than 600 locations throughout the province. Annual distance travelled by the fleet approximates 53 million kilometres and fuel consumption is approaching eight million litres each year.

Our Mission Statement

"We are committed to provide our clients with a complete range of quality fleet management services to assist in the efficient delivery of public programs."

On at least an annual basis, the management at *FLEET* scrutinizes its Vision and Mission Statements to ensure that these two important statements reflect the current direction desired by our management, staff and major stakeholders. The most recent changes from this self-examination process occurred in the fall of 1996, resulting in the accompanying mission and vision.

FLEET's management and staff also annually formulate our operating goals and objectives, developing several guiding principles that we feel are important in the achievement of our continuing success. The critical success factors developed for 1999/2000 and our results in addressing each factor's related goals and objectives are discussed in this Report in the section "Operating Objectives and Results."

As we at *FLEET* continue to work towards achieving our mission and vision, our actions and our working relationships will also be guided by, and reflect, the following important values:

- *Satisfy and exceed stakeholder expectations,*
- *Provide dependable and responsive service at competitive prices,*
- *Promote open communication and teamwork,*
- *Encourage individual learning, growth and achievement,*
- *Provide a safe work environment for all employees, and*
- *Eliminate or minimize risks to the environment.*

Our Vision Statement

"To provide complete vehicle management services to the broader public sector."

Chief Operating Officer's Message

The completion of our eighth year as a Special Operating Agency!!!!

It seems like only yesterday that we were knee deep in draft agreements and other paperwork converting the Fleet Vehicles branch into what it has evolved into today. The eight years have been rewarding, certainly to me personally, and I think also to the management and staff at *FLEET*.

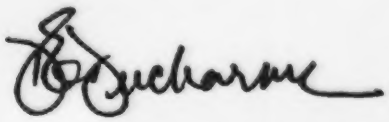
From a financial perspective, the 1999/2000 operating performance is consistent with our performances in recent years. The $2.2 million in net earnings is slightly higher than projected, and virtually identical to net earnings in 1998/1999. We do have concerns with the trends that continue to appear in our annual balance sheet, but we are taking steps to address those issues before they become a more significant problem.

I would like to congratulate our Information Technology team for their foresight and dedication during the past two years. Their development of Fleet Vehicle Reporting to enable departments to electronically transmit distance reports has been instrumental in speeding up our invoicing and collection process. And their development of our new Keys fleet management information system will assist us in managing our fleet more efficiently and effectively, and will also provide additional valuable information to our customers and staff.

Looking ahead, I am excited by the prospect of further discussions and meetings over the next several months in the exploration of a cooperative venture with the Mechanical Equipment Services branch of Highways. The road is now open for the combined departments of Highways and Government Services to investigate areas where there is commonality of purpose for our two fleets. This undoubtedly will lead to an increased level of service, and to decreased costs for the services provided.

I am equally excited by the vote of confidence shown us in March 2000 when we were provided with the availability of capital financing for our use in exploring new markets in the broader public sector. Our intention for 2000/2001 is to get ourselves "known" in these markets. We have already taken the important first step in reacquainting smaller Manitoba municipalities with our capabilities at the February 2000 Association of Manitoba Municipalities trade show.

My appreciation is once again extended to the management team and staff at *FLEET*, and to our numerous stakeholders, clients and partners. The accomplishments recorded in this Annual Report could not have been achieved without you.



Dennis Ducharme
Chief Operating Officer

Our Products and Services

FLEET's employees provide complete fleet administration support and vehicle maintenance to our clients from a central Winnipeg administration office and full service repair facility. Approximately one-third of the fleet is serviced from the Winnipeg garage and the remainder is serviced by the Agency's private sector contacts throughout Manitoba, with *FLEET* ensuring high service standards to customers regardless of location.

FLEET provides a full range of quality fleet management services. Our main objective is to serve public-sector organizations, in the anticipation that the development of partnerships with other levels of government will lead to the most efficient use of resources and cost savings to each partner.

Vehicles currently available range from compact sedans and half ton trucks to full size vans. Client specifications determine the requirements for vehicles ordered and the flexible lease terms that are arranged. We also maintain a number of older vehicles for public sector organizations to rent at low rates on a seasonal basis.

The average age of the fleet, excluding seasonal vehicles, is currently 3.2 years, which is greater than our private sector competitors but comparable to other public sector fleet operations. Our vehicle replacement program maximizes fleet discounts on vehicle purchases, with those discounts reflected through our low vehicle lease rates. Although the Agency can recommend optimal vehicle replacement, it is ultimately our clients' decisions when to replace their vehicles, and this is often affected by funding restrictions.

Costs arising from the acquisition and operation of a vehicle are charged to our customers through fixed and variable rate structures. Centralized payments of all vehicle operating and administrative costs, including repair and fuel bills, eliminate the administrative task for our customers and allow us to take advantage of discounts and volume rebates.

Our garage facility's qualified personnel provide regular servicing, repairs, parts and bodyshop maintenance. Our garage is certified with the Private Vehicle Inspection Program and the Commercial Inspections Program to inspect all vehicle types including medium and light trucks, school and transit buses, and air brake equipped vehicles. Our bodyshop is qualified by Manitoba Public Insurance as an accredited Autopac autobody facility.

Maintaining or Expanding our Market

Over the past 66 years, *FLEET* has developed a range of products and services to meet the needs of provincial government clients. *FLEET*'s services fall into two main groups: Vehicle Services and Fleet Management Services. Taken together, these services constitute the Full Service package recommended by *FLEET*. Vehicle Services include leases, seasonal rentals, short-term (pool) rentals, and vehicle insurance and registration. Fleet Management Services cover a whole range of services including a *FLEET* credit card for fuel purchases, repair authorizations, a preventive maintenance program, an invoice payment service, a taxable benefit program and a complete history of cost, maintenance and distance for each vehicle.

Throughout 1999/2000, our staff used the valuable information collected and stored by the Fleet Management Information System to assist customers in analysing aspects of their vehicle costs and to provide detailed billing data tailored to each customer's specific needs.

Present provincial clients have the option of tendering their new vehicle requirements with *FLEET* and with private sector fleet management companies. Private sector bids may be accepted over *FLEET*'s bid only if the departments or agencies are able to demonstrate to Treasury Board that the provincial government would receive better value for its dollar if the department's or agency's fleet management needs were provided by an organization other than *FLEET*. To date, no other organization has been located that is able to provide such value.

Although it remains *FLEET*'s intention to concentrate on further development within departments and agencies of the provincial government and to make further inroads with provincial crown corporations, our vision since 1992 has been to advance new market opportunities and services on a limited basis to the broader public sector within Manitoba. With the approval in March 2000 for *FLEET*'s access to Loan Act Authority to acquire vehicles for lease to these potential markets, the previous barrier to making serious inroads has been removed. Our objective for 2000/2001 is to approach prospective clients who expressed interest in the past, and to ready, promote and position ourselves to commence the process of tapping into these markets.

Structure for Operations

Historical Perspective

Fleet Vehicles Agency was established as a branch of the Manitoba Provincial Government in 1934 to provide centralized fleet management and related services to provincial departments, agencies and crown corporations. It was established to maximize efficiencies in vehicle acquisitions, maintenance and use, and to lower overall vehicle operating costs.

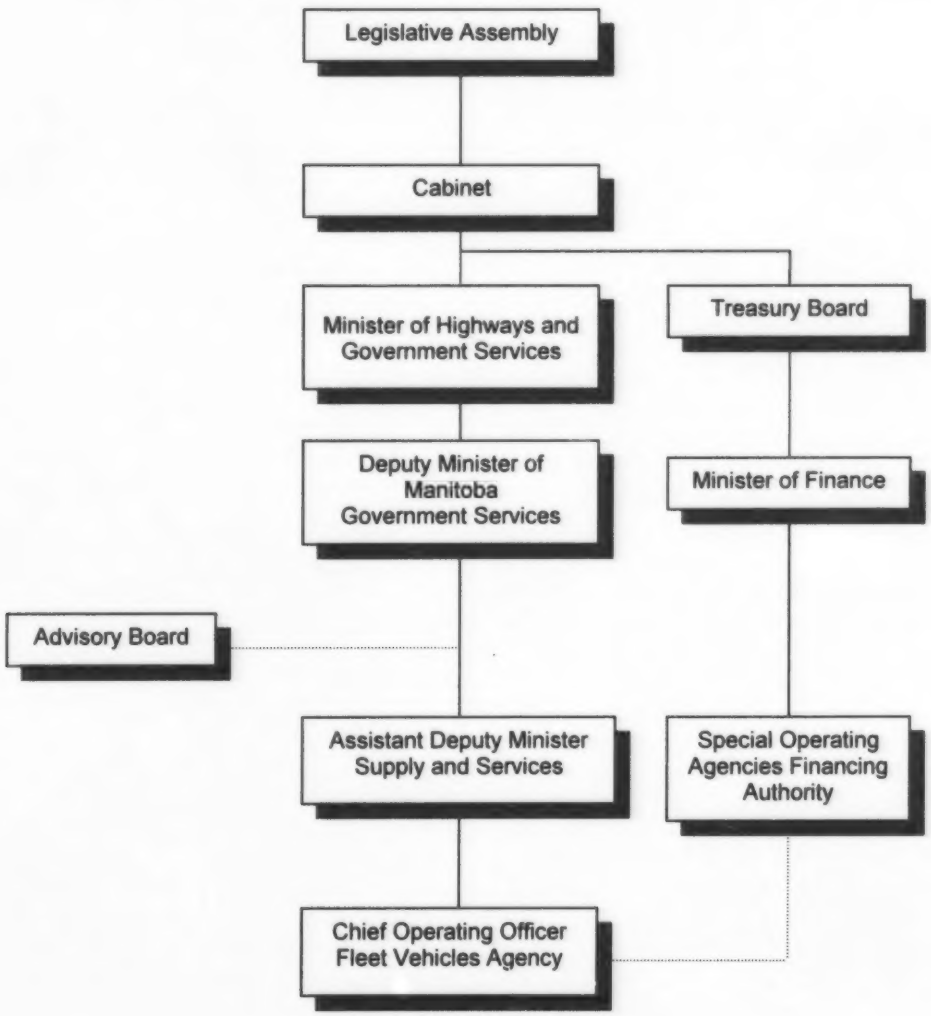
On April 1, 1992, the branch was approved as a Special Operating Agency (SOA), the first such agency to be created in Manitoba and at the provincial level in Canada. Although it remains *FLEET*'s intention to concentrate on further development within departments and agencies of the provincial government and to make further inroads with provincial crown corporations, our vision since 1992 has been to advance new market opportunities and services on a limited basis to federal and municipal governments in Manitoba.

Accountability Structure

As an organization within Manitoba Government Services, *FLEET* reports directly to the Assistant Deputy Minister–Supply and Services, and is held accountable to the Deputy Minister of Government Services and to the Minister of Highways and Government Services for operational and financial performance.

The Agency operates outside of the Consolidated Fund under the Special Operating Agencies Financing Authority (SOAFA), which holds title to the Agency's assets, provides financing for operations, and is responsible for its liabilities.

Governance and accountability are substantiated by *FLEET*'s compliance with its Operating Charter, Transfer Agreement, Management Agreement, applicable General Manual of Administration policies, and by The Special Operating Agencies Financing Authority Act. Financial and operational information and requirements are disseminated to and from Treasury Board through a SOA Coordinator at Treasury Board Secretariat. The Accountability Structure Chart presented below outlines the current structure.



Advisory Board

The Advisory Board for Fleet Vehicles Agency meets as required to review the Agency's financial and operating reports, the draft Business Plan and any proposed changes to the Agency Charter. The Board's members offer advice and direction on short and long term strategic planning, reporting and management issues of concern to us and to our stakeholders in both the private and public sectors.

Members of the *FLEET* Advisory Board as of March 31, 2000, are listed below.

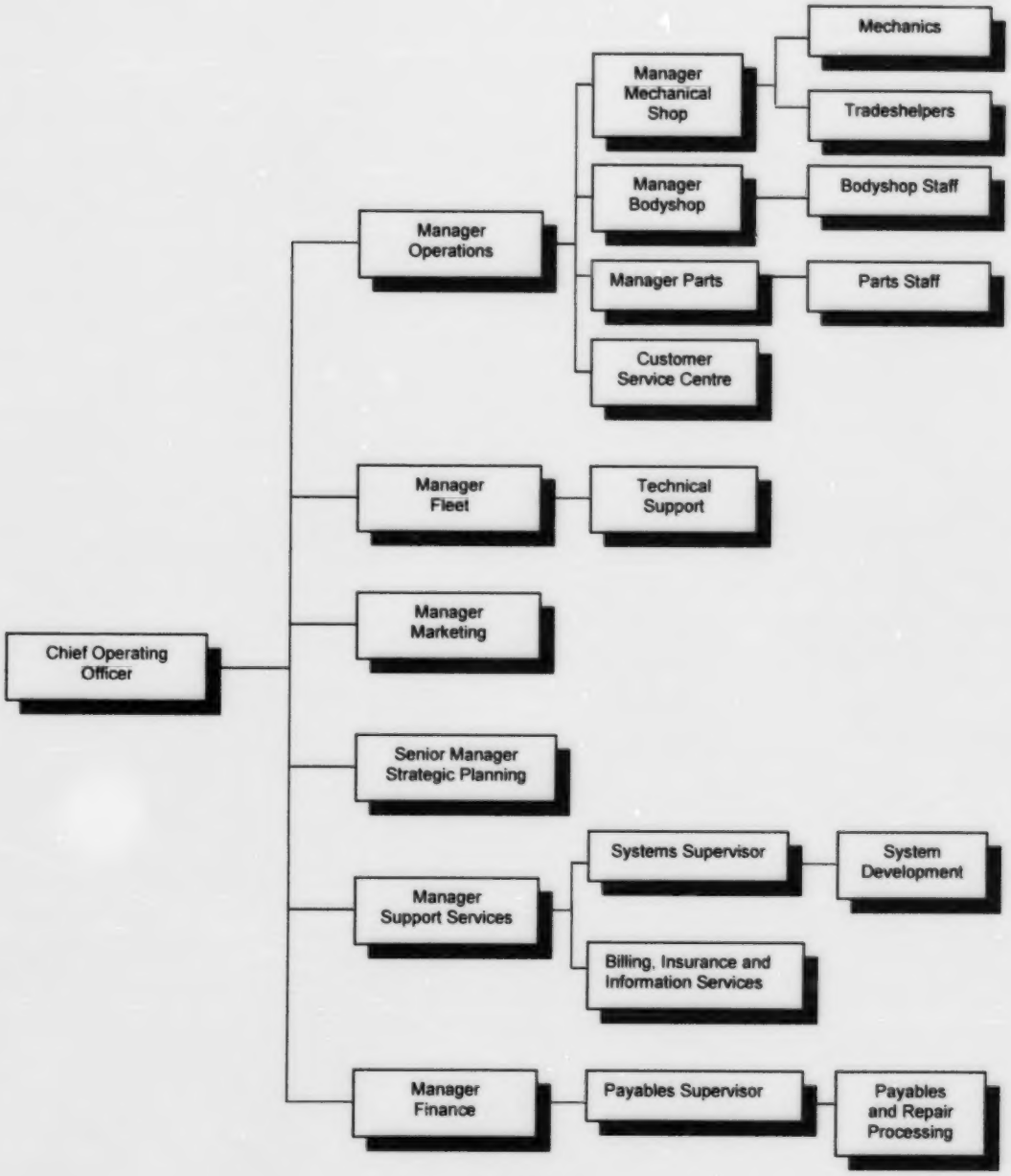
CHAIR	***Gerry Berezuk*** *A/Deputy Minister* Manitoba Government Services	
MEMBERS		
Private Sector Representatives	***Norm Fiske*** *Partner* Sill & Company	***Raymond West*** *Retired Chairman of the Board* A. E. McKenzie Co. Ltd.
Client Representatives	***John Hosang*** *Assistant Deputy Minister* Manitoba Highways and Transportation	***Al Macatavish*** *Vice President* Transmissions and Distributions Manitoba Hydro
Ex Officio	***Tracey Danowski*** *A/Assistant Deputy Minister* Manitoba Government Services	***Dennis Ducharme*** *Chief Operating Officer* Fleet Vehicles Agency
Staff Representative	***Kathryn Bernhardt*** *Manager Support Services* Fleet Vehicles Agency	

Organization Chart

FLEET's current staff complement has more than 250 years of combined experience in the provision of fleet management and related services. The Agency employs qualified, certified and licensed shop personnel to offer top of the line technical service, and a team of qualified, service-oriented administrative staff to meet the needs of our clients.

When *FLEET* became a SOA in 1992, we were allocated 48 approved staff positions. As of March 31, 2000, we operated with 45 employees designated as "regular" in those positions. In addition, at that same date, we gainfully employed five others who were designated as "term." Those numbers are representative of our total staff complement during the 1999/2000 year; at any point in time, it approximated 50.

Our Organization Chart below depicts *FLEET*'s current structure for operations.



Cost Savings for Government and Clients

In the eight years that *FLEET* has been a Special Operating Agency (SOA), we have worked hard to gain the confidence of our various stakeholders and to provide cost-effective, quality service to our clients. Cost savings to the provincial government have resulted annually through overall fleet downsizing and through lower vehicle leasing rates to client departments, agencies and crown corporations.

Fleet Downsizing

As of March 31, 1991, one year before Manitoba commenced the SOA initiative, the fleet numbered 2,746 vehicles. Primarily as a result of discussions with departments and agencies about vehicle utilization, a fleet reduction program was instituted that saw the fleet reduced to 2,212 vehicles four years later. This reduction of 534 vehicles by March 31, 1995, represents a decrease of 19.4% compared to the fleet size as of March 31, 1991. The growth in recent years to 2,589 vehicles as of March 31, 2000, relates primarily to the obtaining of 217 "dry lease" units that were previously owned and managed by the Department of Highways, and to the current trend at *FLEET* to hold back units from disposal for a year or two wherever possible for our growing seasonal business with departmental clients and with the City of Winnipeg.

Fewer permanently assigned vehicles in the fleet results in annual cost savings to the Province of approximately $2.5 million in vehicle replacement cost and approximately $2.5 million in operating costs, or $5 million in total.

Lower Vehicle Leasing Rates

Our clients have had the option to tender for the various services offered by *FLEET* for the past four years. As a part of this process, during the first two years that we were an optional service, two departments chose to tender for their vehicle replacements and related services. The management at *FLEET* were able to analyse and compare the tenders received and to determine the potential costs to departments and agencies from each supplier, including *FLEET*. Based on this process, as applied to a cross-section sample of the vehicles that were tendered, it was determined that *FLEET*'s rates for vehicle leasing and full fleet management services for that sample of vehicles were approximately 5 to 6% lower than its competitors.

As suggested in another section of this Report, based on a study completed in March 2000, the feeling at *FLEET* is that the gap between our rates and those in the private sector has narrowed in the past couple of years. Our intention is to monitor this situation, and to include a review of our competitive position in our 2001/2002 Business Plan.

Operating Objectives and Results

Each year, the management and staff at *FLEET* identify key objectives in the preparation of our annual Business Plan that we consider important to the continuing success of the Agency. On a monthly basis during the 1999/2000 year, utilizing a detailed step-by-step performance framework that we call The *FLEET* Plan, management monitored the major goals and objectives that were established during the preparation of our 1999/2000 Plan. Highlights of our progress in meeting the performance targets that were included as a part of that Plan are provided in the following sections.

Operate Efficient and Effective Management Information Systems

The Fleet Management Information System (FMIS) consists of two main components: the Great Plains Dynamics accounting package and the Equipment Management System fleet package. Both are fully integrated, and both were considered "out of scope" in *FLEET*'s transition to the provincial government's Desktop Initiative program in July 1999. Other FMIS tools utilized for information storage and retrieval are "in scope" including Microsoft Access, Word, Excel, PowerPoint, and Outlook. *FLEET*'s computer specialists continually upgrade and enhance the FMIS to improve shop and administration productivity and to provide meaningful information to our clients.

Development of the Keys Project

The Equipment Management System (EMS) package utilized by *FLEET* for the past six years is an off-the-shelf package designed primarily for an entity that manages its own equipment (not a leasing company or retail business). As such, it does not meet all of our requirements, or those of our clients. *FLEET* staff introduced many modifications or "work-arounds" over the years, so that the EMS program, although still reasonably effective, continues to become more and more cumbersome.

During the fourth quarter of 1997/1998, a decision was made within *FLEET* to replace the EMS fleet package with an in-house designed and developed management system. The Information Technology staff at *FLEET* commenced preliminary work on the project at that time. A new systems analyst, whose time is fully dedicated to the project, started with us in May 1998, and a target date of March 2001 was established for the implementation of the new software. The *FLEET* staff members of the software re-design committee quickly dubbed the anticipated custom fleet management software "Keys."

The Business Review phase of Keys was completed in November 1998, resulting in a detailed, documented analysis of the way in which we operate, and the way that paper and electronic information flows at *FLEET*. The Business Review phase was followed by an in-depth Business Analysis and Design Documentation phase, lasting two to three months, to discuss and determine what changes should be made, what information do we really want, and how should it all flow through *FLEET*.

During much of the 1999/2000 year, we were into the Systems Design phase, utilizing the information gathered during the preceding year. In February 2000, the IT staff considered and

declared the design of Version 1.0 essentially complete. The Testing phase of Keys in a parallel fashion with EMS, with data entered into both old and new systems, took place during the latter part of the fourth quarter of 1999/2000 and the first week of 2000/2001. The Testing phase demonstrated that Keys works well. Amidst a celebration held on the shop floor at *FLEET* during the afternoon of April 7, 2000, our IT staff symbolically "pulled the plug" on EMS.

During 2000/2001 further modifications and enhancements will be made, all in our continuing attempt to meet the information needs of our internal and external customers and stakeholders. Steps are also under way during the first quarter of 2000/2001 to protect the word "Keys" as an official trademark, and to protect the use of the computer program itself through a copyright application.

Increasing our Efficiency in Billings and Collections

The two main revenue sources at *FLEET* are what we call fixed billings and variable billings. Together they account for the majority of our vehicle lease revenues. Fixed billings cover the cost of the vehicle less the estimated residual value at the end of the lease period, together with interest and overhead factors. Variable billings cover the operating costs of the vehicle, primarily fuel and regular repairs and maintenance.

Variable billings are dependent on vehicle mileage reports from our customers. During the fourth quarter of 1997/1998, a pilot project by *FLEET* commenced with a branch of the Department of Highways, converting vehicle mileage reporting from a manual to an electronic system. The demonstration of the electronic system, now called Fleet Vehicle Reporting (FVR), was the highlight of our June 1998 and September 1999 Customers Meetings. As of March 31, 2000, there is a total of 749 vehicles with 21 customers using FVR, and the 2000/2001 year shall see significantly more customers come into the fold.

During the first quarter of 1998/1999, we announced the introduction of a discount policy to clients who would pay their annual fixed billings at the beginning of each fiscal year. In 1998/1999, we had five clients with annual fixed billings approximating $400,000 take advantage of this program. In 1999/2000, we had six clients with annual fixed billings of $668,000 take advantage of prepaying the amount of their annual fixed billings during the first quarter to obtain a 2% discount. As we start 2000/2001, we now have nine clients with total annual fixed billings approximating $850,000 interested in the program. This program certainly assists us in the alleviation of some of our cash flow requirements, decreases the monthly billings that we generate, and helps to decrease our days sales in receivables ratio.

These are but two of the policies or procedures we looked at during 1999/2000 to provide better information faster to clients or to improve *FLEET*'s receivables position. *FLEET* staff investigated several other policies and procedures during the year, including the issuance of our fixed rate billings at the beginning rather than the end of the month. It was determined that the issuance of invoices for our fixed rates at the beginning of the month may not speed up the collection process, and that the switch in dates might cause a myriad of other problems. It was therefore determined to leave our fixed rate billings at the end of each month.

At 39.6 days sales in receivables as of March 31, 2000, we more than met our long standing 45 days target, even though we missed the target date by approximately six months. In 2000/2001, however, it may prove difficult to better our year-end performance or even remain at 40 days, and there could be times during the year that we actually slip back up above 45 days. Now that we've

proven that less than 40 days is possible—to ourselves and to the rest of the world—the pressure is on to make sure that any slippage is not back to where we were a couple of years ago.

Enhance the Value and Quality of our Service to Meet Stakeholders' Expectations

In the eight years that *FLEET* has been a SOA, our various stakeholders have come to expect a high level of service and results from the Agency, its management and staff. Operating as an optional service since April 1996 has made us realize that to retain or expand our current client base, we must ensure that the provided level of service continues, or is even enhanced. All employees expect that *FLEET* will continue to provide interesting opportunities for continued employment and reasonable rates of remuneration. Other stakeholders more distantly removed have reviewed our annual operating results and statistics, and have encouraged us to continue to operate positively and to improve our performance even further. We at *FLEET* have responded to this challenge in the past and look forward to attempting to meet the expectations of our various stakeholders in the future.

Enhance Value and Quality of Service

A high level of service to our external customers assists in ensuring that we retain our current client base. There are indications that the staff at *FLEET* continue doing things "right" including: the retention of all existing clients for 2000 model year vehicle replacements with none of our clients going to tender; and the increase in our permanently assigned vehicles from 1,663 to 1,714 to 1,803 to 1,841 as of March 31, 1997, 1998, 1999 and 2000 respectively.

In our Winnipeg garage and bodyshop, we continue to monitor on a quarterly basis the quality of the various services we provide. Our target was to achieve a maximum work order "comeback" rate below 1.5% during each quarter in 1999/2000; our results in each quarter determined that customers brought back their vehicles for additional work on the same problem significantly less than 1% of the time.

Vehicle specifications were reassessed during the year to ensure that clients receive suitable vehicles at reasonable prices to meet their program needs. To assist in this process, the first issue of our newly-developed annual Vehicle Ordering Guide was provided to customers having vehicles identified for replacement. The Guide outlines the annual vehicle ordering process, and highlights the various vehicles and options available to our customers.

An Executive Vehicle Guide was drafted during the fourth quarter of 1998/1999 and distributed in May 1999. The Guide is intended to be used in conjunction with *FLEET*'s Glove Compartment Guide, and outlines the parameters of "executive use" for Ministers, Deputy Ministers and their equivalents.

Something else new—a Makin' Tracks customer version of our newsletter—was issued twice during 1999/2000 to disseminate information common to all or most customers, and to provide information about *FLEET*. Positive feedback was received to this approach. In addition, a total of 25 *FleetFlashes* were sent during the year to customers to keep them abreast of everything from impending increases in our variable rates to vehicles that are with departments looking to transfer them to a new home.

FLEET calculates and distributes T4 slips for all drivers with personal distance as a part of our Fleet Management Services. Understandably, this means that we field many questions each year once drivers receive their T4 slips. In the fall of 1999, we decided to hold a series of seminars to explain how *FLEET* calculates automobile T4 slips and to answer drivers' questions. A total of nine sessions (eight in Winnipeg and one in Brandon) were held in December 1999 and January 2000. A total of 86 drivers attended the sessions. As a result, there were far fewer questions when T4 slips were delivered in February 2000 than there have been in previous years.

Provide Information to Stakeholders that is Timely, Meaningful and Complete

In September 1998, the annual business planning exercise was undertaken to ensure that all managers and supervisors at *FLEET* had input into the preparation of the 1999/2000 Business Plan. An objective of this process is to establish Agency goals and objectives that belong to everyone at *FLEET*. To involve all staff in the process, our quarterly reports throughout 1999/2000 were circulated not only to all managers and supervisors, but to all administrative staff as well, with the invitation to each staff member to ask questions or to provide suggestions on how *FLEET* might improve. Providing information on a timely basis to all staff is part of our attempt to instill teamwork into our approach at *FLEET*.

Quarterly reports were provided within 45 days to our various stakeholders including those within Manitoba Government Services responsible for our performance, Treasury Board, and the members of our Advisory Board. Audited financial statements and our annual report were provided to all stakeholders within the required 90 and 120 days respectively following our 1998/1999 year-end. Other information was made available to our stakeholders to report on our performance against established goals and objectives, and to seek their guidance as required.

Advance New Market Opportunities

FLEET's main clients are the departments, agencies and crown corporations of the provincial government. They are key to our survival as a business and continue to present growth opportunities for us. Although they will continue to be of prime importance to us, our Business Plans for the past several years directed us to broaden our market focus to federal and municipal levels of government and to related funded agencies. *FLEET* services to the broader public sector were offered through 1999/2000 without access to provincial financing for vehicle acquisitions. Interest from targeted new markets has been limited when financing is not part of the service package.

Develop New Business in Provincial and Broader Public Sector Markets

During the 1999/2000 year, meetings were held with several potential provincial and non-provincial clients:

Manitoba Hydro

In the spring of 1998 and again in 1999, Hydro tendered for approximately 700 dry lease vehicles over three years. In 1998, they decided to continue to manage their vehicles internally. In April 1999, we submitted a written proposal, and were invited to make an

oral presentation in July 1999. Again, at least for now, Hydro is continuing to manage their vehicles internally.

Regional Health Authorities (RHAs)

In August 1999, *FLEET* was approached to manage all rural ambulances within the province and to establish a replacement program for the fleet of 155 provincial RHA ambulances. With the change in provincial governments in October 1999, a period of time was necessary to enable the incoming government to fully grasp the direction it wishes to go in this area. In March 2000, however, the management and replacement program possibilities came back to the forefront. Two presentations, including question and answer periods, were made to RHA representatives by *FLEET* early in April 2000. Consolidating the entire provincial ambulance fleet, while working with Manitoba Health Emergency Services and the RHAs, presents a definite opportunity for *FLEET* that we are following up in 2000/2001.

Provincial departments and agencies

The traditional provincial market includes departments that own and/or manage their own vehicles. Our objective is to reduce their administrative expenses, and to increase the effectiveness and efficiency of their fleet by entrusting the management and replacement of their vehicles to us. The Department of Highways and Government Services, Mechanical Equipment Services (MES) branch, operates many light and medium duty trucks on their own, in addition to their heavy duty equipment. In addition, according to a list provided by Insurance and Risk Management, there are several provincial departments managing their own vehicles, with an overall estimate approximating 250 vehicles.

New clients during 1999/2000 in this area include Arcane Horizon, MacDonald Youth Services, Simaril Inc., and the University of Manitoba—Delta Marsh.

In 2000/2001, we are currently exploring the establishment of a cooperative venture with MES that could include a common approach to problems and an elimination of duplication of effort. Calls to contacts on Insurance and Risk Management's list established that the number of customer-owned/leased vehicles has probably been overestimated; we are continuing to follow up on this list, but it's importance in our business-generation activities is now being downplayed.

Municipalities other than Winnipeg

FLEET has had numerous meetings and discussions in recent years, primarily through the Association of Manitoba Municipalities, with several Manitoba municipalities in connection with the services that we offer. Interest was initially generated but that interest waned when the municipalities learned that financing by *FLEET* for vehicle acquisitions was not at that time part of the package. With the approval in our 2000/2001 Business Plan for $1 million in Loan Act Authority availability to explore the Manitoba municipal and federal markets during the three years ending March 31, 2003, this impediment has been removed. Accordingly, we attended the Association of Manitoba Municipalities trade show in Brandon in February 2000 to attempt to rekindle interest in our services and to attempt to generate profitable business.

The City of Winnipeg

The working relationship with some divisions within the City of Winnipeg that commenced in 1997/1998 continued into the 1999/2000 year. The business stems primarily from the leasing of as many reliable seasonal vehicles as possible to the City without disrupting seasonal vehicle service to our regular provincial clients.

Exploration of Cooperative Venture with the Mechanical Equipment Services Branch of Highways

Our 1999/2000 Business Plan had as one of its goals the development of a joint feasibility study with the Department of Highways to amalgamate the operations of *FLEET* with those of the MES branch of Highways. In February 1999, we submitted a response, along with other respondents, to a Request for Information from Highways, with the main thrust of our response the investigation of the amalgamation of our two fleets. Over the summer months during 1999, a private sector consultant and/or Highways' senior managers reviewed and evaluated the responses. In March 2000, a meeting was held between representatives of Manitoba Government Services (including *FLEET*) and representatives of Manitoba Highways. That meeting was followed by an early May 2000 meeting between representatives of *FLEET* and representatives of MES. Further meetings are scheduled during the first quarter of 2000/2001 to determine if there is commonality of purpose, and to establish policies and procedures in the exploration of a cooperative venture that would be of benefit to *FLEET*, to Manitoba Highways, and to the provincial government as a whole.

Administer Assets and Resources in a Fiscally Responsible Manner

The management and staff at *FLEET* have been entrusted with considerable assets and resources to embark upon our plans and procedures to fulfill the main thrust of our mission statement. It is only fitting that those assets and resources be safeguarded and enhanced, and that they be applied to optimize the efficiencies of the various *FLEET* programs. It is one of the ways in which *FLEET* can perform some of the objectives of its SOA mandate.

Reduce Reliance on Loan Act Authority

Our stated objective in our 1999/2000 Business Plan was to establish and implement a program whereby we would decrease the Loan Act draw down percentage relative to vehicle costs by 5% each year beginning with the year ending March 31, 2000.

Traditionally, over the past several years, *FLEET* has drawn down approximately 60% of the cost of new and replacement vehicles each year. Our 1999/2000 Business Plan's stated intention for model year 2000 acquisitions during the fourth quarter of the 1999/2000 year was to only draw down 55%. On March 29, 2000, we drew down $3.4 million to assist in paying for vehicle additions during the fourth quarter of 1999/2000. We intend to draw down a further $750,000 to $1 million during the first half of 2000/2001 to complete paying for model year 2000 vehicles, or to replace funds earmarked for vehicle purchases but used for other purposes. The cost of model year 2000 vehicles is estimated to approximate $8 million; 55% of that amount is $4.4 million. The total amount drawn down should therefore be lower than or approximately 55% of the cost.

As suggested by the objective, the intention is to draw down 50% of the cost of model year 2001 vehicles, 45% of the cost of model year 2002 vehicles, and so on each year, so that in 10 to 12 years *FLEET* would arrive at a point where it finances each year's purchases totally from internally-generated funds.

Unfortunately, although we met the objective for 1999/2000, this objective works at cross purposes with another one of *FLEET*'s stated objectives, that being revenue sharing to the Consolidated Fund. Because of the level of annual current revenue sharing projected, *FLEET* has therefore modified its Loan Act Authority reduction program objective—at least for now—and has reverted back to an annual 60% draw down amount for 2000/2001.

Encourage the Use of Fleet Vehicle Reporting

Fleet Vehicle Reporting (FVR) is a program whereby clients electronically file monthly distance reports with *FLEET* for each of their vehicles leased from *FLEET*. It was introduced to clients during the 1998/1999 year.

FVR relieves client drivers and vehicle coordinators from the task of completing manual reports, and it provides client vehicle coordinators with ready information in their own systems on their individual fleets. *FLEET* benefits by receiving information on a more timely basis for the preparation of variable billings. FVR is also now used in-house by *FLEET* staff to speed up the entering of mileage and other information for those clients that have not yet converted to FVR in their offices.

A Business Plan objective was to have 50% of provincial vehicles in the fleet electronically filing distance reports by March 31, 2000. As of that date, we actually had 21 clients using or committed to use FVR to electronically file distance reports for their 749 vehicles. The target number to reach the 50% plateau was 1,015. Although we didn't quite meet our stated objective, it is our intention to continue to promote the scheduling of meetings with and to provide demonstrations to other client departments and agencies to entice them to make the transition. To encourage clients further, *FLEET* began charging an administration fee as of April 1, 2000, to all clients that have been transitioned into the managed environment, but are not yet using FVR.

Monitor Rates for Vehicles and Services

One of the ways to assess the competitiveness of rates charged is to be the successful bidder on 100% of the tender documents issued for vehicle leasing and management services each year. The only department to proceed to tender for 1998 model replacements in the fall of 1997 was Natural Resources. Following the tender analyses and comparisons, Natural Resources chose to have *FLEET* place the purchase order for the vehicles required. No clients proceeded to tender for their 1999 or 2000 model new or replacement vehicles.

A study of competitor lease rates and options was started during the third quarter of 1998/1999. Some of the information and data that resulted was considered incomplete. The study was revamped during the fourth quarter of 1999/2000 and completed in March 2000. A report on the study was prepared and distributed to *FLEET*'s management. The information in the report suggests that the gap between our rates and those in the private sector has narrowed in the past couple of years. The results require consideration and possible action by the *FLEET* managers to ensure that our prices remain competitive. It is our intention during 2000/2001 to monitor this situation, and to include a review of our competitive position in our 2001/2002 Business Plan.

Foster an Agency that Informs and Prepares all Stakeholders

One of *FLEET*'s objectives is the projection of a professional and unified corporate image consistent with our values and identity. Although certainly important and a part of the overall process, this objective goes a long way beyond name and logo recognition. It means the development of policies and procedures that continue to prompt us in the direction we wish to go. And it means the development of a *FLEET* corporate image in line with our short and long range goals and objectives.

Project a Consistent Professional Image

A few years ago, we hired a promotional firm to assist us with the development of our image. As a part of that process, a *FLEET* logo was developed which is now used in our interoffice memoranda, on our letterhead and envelopes, on the stickers attached to the driver's side window of our vehicles, on our building signage, in all communications to customers and suppliers, and in our various communications to other stakeholders, including this Annual Report.

All new brochures and promotional materials are generally designed utilizing our corporate colours, and with variations of that *FLEET* logo. Recent examples include our new Vehicle Ordering Guide, new Executive Vehicle Guide, Fleet Management Services brochure, Internet web site, and *FleetFlashes*. We occasionally slip up and refer to ourselves by our previous acronym, "FVA," and our customers sometimes still send envelopes to us at the "Central Provincial Garage," but those instances are becoming less and less frequent.

It's been a little more difficult for some of our staff to adopt the Customer First approach and attitude that we have also attempted to promote. They still want to refer to the main counter and area as you enter the front door to our building as the "Control Office." But we are working diligently to get them to say "Customer Service Office."

It will take time, but eventually we'll get the desired *FLEET* corporate image consistent throughout the Agency, to our clients and suppliers, and to the general public.

Satisfy and Exceed Customer Expectations

FLEET held its fourth annual customer meeting in September 1999. Just under 2,000 vehicles were represented by the customers attending this year's event. Our approach each year has been to vary the meeting format to keep things interesting, and to bring new and valuable information to everyone who takes the time to attend. This year's meeting featured a trade show theme. Each division at *FLEET* set up a "booth" that highlighted the services they provide, with Information Technology's booth demonstrating Fleet Vehicle Reporting attracting much attention. Many customers commented that the more informal one-on-one approach allowed them to ask more of the questions they wanted answered.

Eliminate or Minimize Risks to the Environment

FLEET has been conscious over the years about risks to our environment. We have attempted to lower the average age of the vehicles in our fleet. We recycle tires, oil and other lubricants. And we recognize that one great risk to our environment is the continued use of fossil fuel powered vehicles.

For several years now, we have investigated the possibility of using alternative fuel vehicles as a part of our fleet, and have held numerous discussions about joint projects with the Petroleum and Energy Branch of Energy and Mines (now a part of Conservation). There have also been initial thrusts at peaking the interest of various other government departments that are our clients. We currently have two alternative fuel vehicles in our pool fleet (one a factory-equipped dedicated propane powered 12 passenger van, and the other an after-market converted bi-fuel gasoline and propane eight passenger van). During the year, we promoted and encouraged the use of these vehicles in our customer newsletters and Vehicle Ordering Guide.

Towards the end of the year, an arrangement was made whereby Conservation will lease from us at least one hybrid gasoline and electric powered vehicle in 2000/2001—the new Toyota Prius—that emits 90% less pollution than ordinary cars and gets twice the mileage. *FLEET* is excited about this proposed addition to our fleet, and we look forward to obtaining additional hybrid vehicles—perhaps the vehicles of the future.

Foster an Agency that Informs, Prepares and Empowers Employees

FLEET received an approved staff complement of 48 positions on becoming a SOA in 1992, with term positions added as required for specific projects. The managers of each specific activity centre are professionally qualified and thoroughly experienced to manage their individual areas of responsibility. Of the approximately 50 employees currently at *FLEET*, the majority has been with the Agency for several years and is well versed in fleet management services.

Preparing for the Changing Work Environment

One of the goals carried forward to our 1999/2000 performance framework was the implementation of a Performance Management System at *FLEET*. During the fourth quarter of 1998/1999, under the guidance of a Government Services human resource officer, policies and guidelines were developed with *FLEET* management and employee involvement on how performance appraisals should be conducted at the Agency. Training was completed for all managers and supervisors on how to deliver an effective performance appraisal. Training was also completed for all staff on how to prepare for the appraisal interview. All *FLEET* employees are somewhere in the Performance Management process as of March 31, 2000, with each of them scheduled to complete the process some time during the 2000/2001 year. The System is designed to help clarify Agency goals and objectives; coach for improved performance; evaluate candidates for promotion, development, or pay adjustment; and, in effect, achieve the broader goals of the organization.

To provide employees with current information about *FLEET*, quarterly operating reports were once again circulated to all managers and administrative staff, and quarterly newsletters providing business as well as personal information about *FLEET*, its management and staff, were distributed to all employees and to many of our stakeholders. Staff meetings were regularly held for both administrative and shop staff throughout the year to provide a venue for questions to management and for information dissemination to staff. To assist in assessing and documenting the needs of all staff, a staff survey was undertaken during the fall of 1999, with feedback sessions on the results of the survey provided during several group meetings with staff.

Training is an ongoing ingredient at *FLEET* in providing our managers and staff with current information and the necessary skills to keep abreast of the demands of their positions. An average of a minimum of 10 hours of training was provided for all repair facility staff during 1999/2000, and managers and administrative staff either received or are scheduled to receive training identified from the Performance Management process. To get our staff ready for the introduction of Keys, the Information Technology group at *FLEET* held a series of six "Lunch & Learn" sessions to assist us in honing our computer skills. With Keys in the Testing phase during the fourth quarter of 1999/2000, weekly one hour Keys training sessions have been held for all employees directly or indirectly using the Keys program; those sessions are scheduled to continue during the first half of 2000/2001.

Achieve Significant Improvements in Productivity throughout the Agency

One of the Agency's goals is to increase vehicle repair facility services to provincial and broader public sector clients operating within the vicinity of Winnipeg. The service selling features relative to this goal are a combination of quality and price. An objective for 1999/2000 was the continued provision of repair services that are cost competitive by maintaining a maximum shop door rate below $49.00 an hour. The actual rates charged during the year were $48.95 an hour for the garage and $44.91 for the bodyshop. Rates at these levels are maintained by managing our shop overhead numbers and by maintaining a shop productivity ratio that approximates 90% on an annual basis. To monitor the quality factor, we kept track of "comebacks" on a quarterly basis and determined that *FLEET* customers brought their vehicles back for additional work on the same problem significantly less than 1% of the time during 1999/2000.

Within the *FLEET* administrative area, concentration was centered on getting our fixed, variable and other invoices out to clients faster. That's one of the thrusts of projects such as Fleet Vehicle Reporting, as discussed in detail in another section of this Report. Getting invoices out faster hopefully translates to cash in sooner, thereby decreasing the number of days sales outstanding in our receivables. It will be tough to decrease further than the 39.6 days reported as of March 31, 2000, but we'll continue to try.

Financial Performance

The following financial review and analysis compare the actual results for the year ended March 31, 2000, to the projections for the same period and to the actual results for the year ended March 31, 1999. The projected financial statements are those that were prepared in October 1998 as a part of *FLEET*'s 1999/2000 Business Plan. This review and analysis should be read in conjunction with *FLEET*'s audited financial statements for the year and the summarization of key elements from the earnings statements presented in Table 1. ***All dollar amounts in the review and analysis are in thousands of dollars.***

Review of Operations

FLEET reported net earnings of $2,242 for the year ended March 31, 2000, compared to a projected $2,120 and actual $2,248 for the years ended March 31, 2000 and 1999 respectively. Although revenue for the 1999/2000 year increased by $1,556 over that for 1998/1999, the increase was slightly more than offset by an increase in operating expenses of $1,562. Of that amount, $1,413 was in vehicle operating expenses, primarily amortization and fuel.

Table 1

In thousands of dollars	**2000 Actual**	**2000 Projected**	**2000 Actual vs. 2000 Projected Increase/ (Decrease)**	**1999 Actual**	**2000 Actual vs. 1999 Actual Increase/ (Decrease)**
Total revenue	**$ 21,011**	**$ 20,262**	**$ 749**	**$ 19,455**	**$ 1,556**
Salaries	1,900	1,960	(60)	1,842	58
Vehicle operating expenses	14,809	14,085	724	13,396	1,413
Administrative expenses	1,238	1,229	9	1,108	130
Community service	95	135	(40)	113	(18)
Interest expense	727	733	(6)	748	(21)
Total expenses	**18,769**	**18,142**	**627**	**17,207**	**1,562**
Net earnings	**$ 2,242**	**$ 2,120**	**$ 122**	**$ 2,248**	**$ (6)**

Lease revenues for the year were $1,680 higher than they were for the same period one year earlier, with much of the increase attributable to an increase in the number of kilometres driven—53,130,345 in 1999/2000 compared to 50,386,112 in 1998/1999, and to an interim one cent per kilometre increase in our variable rates for all vehicles as of September 1, 1999. The remaining increase year over year is attributable to an increase in permanently assigned vehicles—from 1,803 to 1,841, and to rates for replacement vehicles that reflect their continuously higher capital costs.

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Actual lease revenues for the year were $665 higher than projected revenues, for the same reasons indicated in the preceding paragraph—increased kilometres driven compared to our projections, and to an interim rate increase in our variable rates.

Although only 211 vehicles were disposed of during 1999/2000 compared to 300 the year before, the gain on disposal of vehicles is somewhat higher than anticipated because proceeds amounted to an average of $5.2 per vehicle compared to $3.6 in 1998/1999. That same $5.2 compared to a projected $3.5 per vehicle also accounts for much of the difference in the actual gain compared to the projected gain.

Vehicle operating expenses in 1999/2000 are $1,413 higher than they were during the 1998/1999 year, essentially the result of an increase of $475 in vehicle amortization and $655 in fuel costs. The ever-increasing annual cost of replacement vehicles in recent years means ever-increasing amortization as vehicles are written off over their estimated useful lives. The fuel costs increase is a direct result of the 2,744,233 additional kilometres driven in the 1999/2000 year compared to 1998/1999, and of the price increases during the year. In 1999/2000, those prices increased five to six cents per litre at the pumps during the second and third quarters, and an additional four to five cents per litre during the fourth quarter. The fuel price increases to *FLEET* resulted in a one cent per kilometre increase in the variable rates to our customers as of September 1, 1999, and to a further one cent per kilometre increase as of May 1, 2000.

Salaries are $60 less than projected because as of April 1, 1999, we began capitalizing the salary and benefits for one employee dedicated to the in-house development of the Keys project software. In April 2000, Version 1.0 of the Keys package replaced the EMS system used to control and manage our vehicles over the past several years. During 2000/2001, we intend to continue refinements and modifications to Keys, and will continue to capitalize the same one employee's salary and benefits.

FLEET was transitioned into the Desktop Initiative in July 1999. Since the leases are operating leases, the rental charges from Desktop since the date of transition are included as an administrative expense in "Fleet management information system," resulting in the majority of the $121 increase in 1999/2000 over the 1998/1999 year. The transition also resulted in the recognition of a $13 loss on disposal of computer equipment.

Financial Position

The fleet size totals 2,589 units as of March 31, 2000, compared to a fleet of 2,473 as of March 31, 1999. We received 327 new vehicles during the 1999/2000 year and disposed of 211. The apparent increase of 116 units between years actually amounts to a real increase approximating 41. Because of an auction late in March of 1999, there were only 10 units earmarked for disposal at year-end last year; the comparable number this year is 85.

There is a general increase in the total number of vehicles in the fleet during the six years. The relative number of vehicles that are assigned and on full maintenance leases, however, has not changed significantly during the period. In general terms, the increase in the number of vehicles in the fleet is attributable to the dry lease units to the Department of Highways that started in 1994/1995, and the increase in the number of units held back from auction and allocated to our seasonal program.

Table 2 depicts the breakdown of our fleet as of March 31 each year for the past six years.

Table 2

Categories of vehicles	1995	1996	1997	1998	1999	2000
Assigned, full maintenance	1,604	1,652	1,532	1,557	1,627	1,624
Assigned, dry leases	48	79	131	157	176	217
Seasonals	421	456	443	575	548	535
Pool	86	101	105	105	97	97
Awaiting reassignment	-	19	15	8	15	31
Awaiting disposal	53	100	91	88	10	85
Total number of vehicles in the fleet	**2,212**	**2,407**	**2,317**	**2,490**	**2,473**	**2,589**

In dollars, the net book value of our fleet continued its perennial increase—this time from $24,654 to $26,426. Through the 1997/1998 year, much of the increase in net book value was financed from earnings retained within the business. With the advent of annual revenue sharing payments, increases since 1997/1998 are mostly financed by increased leveraging, through a combination of long term debt and working capital payable.

The results of our continued efforts to speed up billings and collections brought record-breaking results in the 1999/2000 year. Our trade receivables as of March 31, 2000, were only $2,153, compared to $2,925 as of March 31, 1999—a decrease of $772. In terms of our days sales in receivables ratio, the calculated 39.6 days that resulted at the 2000 year-end, when compared to the 58.5 days a year earlier, speaks volumes about the effort put forth and the results obtained by our staff. They not only met our long time objective of 45 days, they smashed it.

Our cash position as of March 31, 2000, reflects a net working capital payable position of $2,160. This differs significantly from our projected net working capital payable position of $1,296 because at year-end we only drew down $3,400 (compared to a projected $4,425) from available Loan Act Authority to assist in paying for 2000 model year vehicle acquisitions. The projected cost of the 327 model year 2000 vehicles ordered is approximately $8,000. A draw down rate of 55% for 1999/2000 should therefore provide $4,400 from Loan Act Authority. It is anticipated that *FLEET* will draw down a further $750 to $1,000 during the first half of 2000/2001 to assist in completing the purchase, or to replace funds earmarked for vehicle purchases but used for other purposes. We continue to use working capital payable to cover temporary cash deficiencies where possible, and to draw down from Loan Act Authority only when it is absolutely necessary to do so.

Our working capital payable position as of March 31, 2000, also delayed our $500 March 31 revenue sharing payment to the Consolidated Fund. That payment was made in May 2000, once our cash balance returned to a positive position.

Ratio Analysis

The "return" numbers in Table 3 relate net earnings to our 1999/2000 total revenue, average assets and average equity positions. The actual percentages are marginally better than their

projected counterparts for the year, a reflection of the net earnings actually experienced for the year ended March 31, 2000, compared to the projections for that same period.

Table 3

Ratio	March 31			
	Projected	Actual		
	2000	**2000**	1999	1998
Return on total revenue	10.5%	**10.7%**	11.6%	10.3%
Return on average assets	7.1%	**7.2%**	7.7%	7.3%
Return on average equity	15.6%	**16.1%**	16.4%	14.7%
Debt to equity	1.20 to 1	**1.24 to 1**	1.19 to 1	1.05 to 1
Current ratio	0.50 to 1	**0.41 to 1**	0.65 to 1	0.82 to 1
Days sales in receivables	50.0 days	**39.6 days**	58.5 days	58.1 days

Even with $2,000 in revenue sharing payments to the Consolidated Fund in each of the current and preceding years, our debt to equity ratio as of March 31, 2000, continues to reflect the strong financial position that has been and still is enjoyed by *FLEET*.

FLEET's current ratio portrays our major operating conundrum—the "asset rich but cash poor" problem—that we continue to experience. The textbook desired position for a current ratio is often suggested as 2 to 1. *FLEET*'s ratio will probably never reach the suggested textbook position because the current portion of our long term debt is paid from cash generated by operations of the following year. On several occasions each year (including March 31, 2000), however, our current ratio is even less than the 0.50 to 1 projected in Table 3, especially when we approach the $2,500 working capital payable limit. Once again, our current ratio continued its deterioration trend in 1999/2000, despite the record-setting improvement shown by our calculated 39.6 days sales in receivables.

Financial Assessment to Date and for the Future

If success is measured in terms of financial achievement, *FLEET* has enjoyed considerable success during its eight years as a Special Operating Agency.

Our operating results for 1999/2000 are better than we projected and just about exactly the same as 1998/1999. Our net earnings in each of the past five years average slightly more than $2,000. During 1998/1999, and again in 1999/2000, we recorded revenue sharing payments to the Consolidated Fund at $500 per quarter.

Our financial position currently remains strong, even with our $2,160 working capital payable position as of March 31, 2000. When *FLEET* became a SOA in 1992, we assumed long term start-up debt of $8,235 and contributed equity of $4,818—a 2 to 1 debt to equity ratio. Although somewhat stronger in recent years compared to the current year, our debt to equity ratio as of March 31, 2000, remains a position to be envied at 1.24 to 1.

Table 4 traces our short and long term debt patterns since our inception as a SOA.

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Table 4 traces our short and long term debt patterns since our inception as a SOA.

Table 4
(*In thousands of dollars*)

Year ended March 31	Working capital payable, net of cash	Original start-up debt outstanding	Loan Act Authority outstanding	**Working capital payable and long term debt**	Current portion of long term debt due within one year
	As of March 31 each year				
1992	$	$ 8,235	$	**$ 8,235**	$ 138
1993		8,097	3,800	**11,897**	787
1994	119	6,245	3,012	**9,376**	791
1995		4,313	2,354	**6,667**	821
1996	1,679	4,211	1,635	**7,525**	896
1997		2,638	6,226	**8,864**	2,141
1998			12,437	**12,437**	2,984
1999	1,855		12,652	**14,507**	3,747
2000	2,160		12,306	**14,466**	4,576

Although given 20 years to pay off our original $8,235 start-up debt, *FLEET*'s management recognized that the debt assumed primarily related to the vehicles assumed, and that repayment should be made over a period approximating the useful life of the vehicles to which it related. Accordingly, we made the final payment on our start-up debt on April 16, 1997, just over five years from the date we became a SOA.

Prior to a draw down in April 1996, the only draw downs from Loan Act Authority were the two draws totaling $3,800 made during 1992/1993.

In 1996/1997, we began what has become an established pattern for the funding of the cash needed for our annual operating cycle. Each year, through the Loan Act, we arrange for and draw down 55 to 60% of the cost of our new and replacement vehicles. In general, our operating results together with vehicle amortization (a non-cash expense) cover the remaining 40 to 45%, and make the required principal payments on our long term debt. Because draw downs generally straddle the year-end (sometimes falling in March and sometimes in April), the jumps in the year-end Loan Act Authority in Table 4 appear erratic, but they nonetheless follow the pattern. The $3,400 we drew down from the Loan Act in the fourth quarter of 1999/2000 also follows this established pattern.

In the past three years, our long term debt position at year-end has remained relatively consistent—just over $12,000—although the amount of principal due within one year has increased dramatically, as more and more of the long term debt approaches its five year maturity dates. This increased principal requirement together with our revenue sharing payments has added working capital payable over continuously longer periods as a new ingredient in the equation. The $1,679 as of March 31, 1996, resulted from the payment of vehicle purchases, but was more than covered by an April 1996 draw down from Loan Act Authority. The $1,855 and $2,160 as of March 31, 1999 and 2000 respectively, occur and remain *following fourth quarter draw downs* of $3,200 and $3,400 respectively.

The extended working capital payable positions are a definite concern to us at *FLEET*—not the positions themselves, but what it perhaps means for the future. The 1999 and 2000 year-end

Table 4
(*In thousands of dollars*)

Year ended March 31	Working capital payable, net of cash	Original start-up debt outstanding	Loan Act Authority outstanding	**Working capital payable and long term debt**	Current portion of long term debt due within one year
	As of March 31 each year				
1992	$	$ 8,235	$	**$ 8,235**	$ 138
1993		8,097	3,800	**11,897**	787
1994	119	6,245	3,012	**9,376**	791
1995		4,313	2,354	**6,667**	821
1996	1,679	4,211	1,635	**7,525**	896
1997		2,638	6,226	**8,864**	2,141
1998			12,437	**12,437**	2,984
1999	1,855		12,652	**14,507**	3,747
2000	2,160		12,306	**14,466**	4,576

Although given 20 years to pay off our original $8,235 start-up debt, *FLEET*'s management recognized that the debt assumed primarily related to the vehicles assumed, and that repayment should be made over a period approximating the useful life of the vehicles to which it related. Accordingly, we made the final payment on our start-up debt on April 16, 1997, just over five years from the date we became a SOA.

Prior to a draw down in April 1996, the only draw downs from Loan Act Authority were the two draws totaling $3,800 made during 1992/1993.

In 1996/1997, we began what has become an established pattern for the funding of the cash needed for our annual operating cycle. Each year, through the Loan Act, we arrange for and draw down 55 to 60% of the cost of our new and replacement vehicles. In general, our operating results together with vehicle amortization (a non-cash expense) cover the remaining 40 to 45%, and make the required principal payments on our long term debt. Because draw downs generally straddle the year-end (sometimes falling in March and sometimes in April), the jumps in the year-end Loan Act Authority in Table 4 appear erratic, but they nonetheless follow the pattern. The $3,400 we drew down from the Loan Act in the fourth quarter of 1999/2000 also follows this established pattern.

In the past three years, our long term debt position at year-end has remained relatively consistent—just over $12,000—although the amount of principal due within one year has increased dramatically, as more and more of the long term debt approaches its five year maturity dates. This increased principal requirement together with our revenue sharing payments has added working capital payable over continuously longer periods as a new ingredient in the equation. The $1,679 as of March 31, 1996, resulted from the payment of vehicle purchases, but was more than covered by an April 1996 draw down from Loan Act Authority. The $1,855 and $2,160 as of March 31, 1999 and 2000 respectively, occur and remain *following fourth quarter draw downs* of $3,200 and $3,400 respectively.

The extended working capital payable positions are a definite concern to us at *FLEET*—not the positions themselves, but what it perhaps means for the future. The 1999 and 2000 year-end

positions were each rectified during the first two months of the ensuing year from cash generated from normal operations. As was the case in 1999/2000, it is likely that we shall return to a working capital payable position as of September 30, 2000. At that date, we pay our annual MPI insurance premiums and make principal and interest payments on our outstanding Loan Act Authority. That position, however, should continue to be temporary in nature. Our real problem will resurface during the fourth quarter of 2000/2001 when we pay for the majority of model year 2001 replacement vehicles *and* make principal and interest payments on our outstanding Loan Act Authority.

The most significant difference affecting our established pattern in 1998/1999 and again in 1999/2000 is the $2,000 in revenue sharing that was projected and paid in accordance with each year's Business Plan. To project an ambitious $500 in revenue sharing payments per quarter for each of the three years in our 2000/2001 Business Plan, the management at *FLEET* had to re-examine our established pattern and to examine and modify other established policies and procedures. The result of this re-examination is that we shall become more highly leveraged, we shall have to modify the established replacement cycle for our fleet, and we shall have to increase prices to our customers.

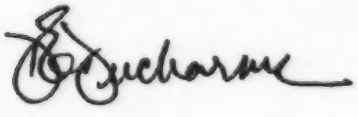
Much of our financial success, in the form of strong operating results and financial position, has been realized solely through the loyalty and support of the departments, agencies and crown corporations that are our clients. Changes affecting service to those clients through modifications to our replacement cycle and continued price increases, however, may soon test that loyalty and support. Attempts to keep both our customers and the financial branches within the provincial government "happy" has become *FLEET*'s challenge for the future.

Responsibility for Financial Reporting

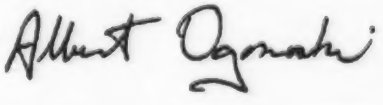
The Agency's management is responsible for preparing the financial statements and other financial information in the Annual Report. This responsibility includes maintaining the integrity and objectivity of financial data and the presentation of the Agency's financial position and results of operations in accordance with generally accepted accounting principles. The financial statements include amounts that are based on management's best estimates and judgements. The Agency's financial statements have been audited by Grant Thornton, independent external auditors.

The Agency maintains a system of internal controls throughout its operation that provides reasonable assurance that transactions are authorized, properly recorded and reported, and that assets are safeguarded.

An Advisory Board is available to meet, as required, with management to review accounting practices, financial reporting and to discuss audit results. During the year, management met once with the Advisory Board. The auditors have free and full access to this Board, to discuss the results of their audit and their views on the adequacy of internal controls and the quality of financial reporting.



Dennis Ducharme
Chief Operating Officer



Albert Ogonoski
Manager, Finance

May 19, 2000

Grant Thornton LLP
Chartered Accountants
Management Consultants
Canadian Member Firm of
Grant Thornton International

Grant Thornton

Auditors' Report

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of Fleet Vehicles Agency, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2000, and the statements of earnings, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2000, and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Grant Thornton LLP

Winnipeg, Canada
May 19, 2000

Chartered Accountants

900 - One Lombard Place
Winnipeg, Manitoba
R3B 0X3
Tel: (204) 944-0100
Fax: (204) 957-5442
Fax: (204) 942-8553

Financial Statements

Statements of Earnings and Retained Earnings
Year Ended March 31
(In thousands)

		2000	1999
Revenue	Vehicle leases	$ 18,987	$ 17,307
	Gain on disposal of vehicles and equipment, net	522	652
	Interest income	58	39
	Other revenue (Page 38)	1,444	1,457
		21,011	19,455
Expenses	Salaries	1,900	1,842
	Vehicle operating expenses (Page 38)	14,809	13,396
	Administrative expenses (Page 38)	1,238	1,108
	Community service	95	113
	Interest expense	727	748
		18,769	17,207
Net earnings		$ 2,242	$ 2,248
Retained earnings, beginning of year		$ 9,728	$ 9,480
Net earnings		2,242	2,248
Revenue sharing to the Consolidated Fund		(2,000)	(2,000)
Retained earnings, end of year		$ 9,970	$ 9,728

See accompanying notes to the financial statements.

Financial Statements

Balance Sheet
March 31
(In thousands)

		2000	1999
Assets	Current		
	Receivables (Note 3)	$ 2,413	$ 3,172
	Inventories	52	44
	Prepaids	1,142	1,078
		3,607	4,294
	Capital assets (Note 4)	26,955	25,082
	Cash held for funding of pension liability (Note 5)	826	680
	Receivable from the Province of Manitoba (Note 6)	219	219
		$ 31,607	$ 30,275
Liabilities	Current		
	Working capital payable, net of cash (Note 7)	$ 2,160	$ 1,855
	Payables and accruals	1,081	697
	Revenue sharing to the Consolidated Fund for the current year	500	
	Unearned revenue	384	303
	Current portion of long term debt	4,576	3,747
		8,701	6,602
	Long term debt (Note 8)	7,730	8,905
	Pension liability (Note 5)	826	680
	Severance pay liability (Note 6)	262	242
		17,519	16,429
Equity	Contributed equity (Note 9)	4,118	4,118
	Retained earnings	9,970	9,728
		14,088	13,846
		$ 31,607	$ 30,275

Commitments (Note 10)
Uncertainty (Note 11)

See accompanying notes to the financial statements.

Financial Statements

Statements of Earnings and Retained Earnings
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(In thousands)

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Financial Statements

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(In thousands)

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Uncertainty (Note 11)

See accompanying notes to the financial statements.

Financial Statements

Statement of Cash Flows
Year Ended March 31
(In thousands)

		2000	1999
Increase (decrease) in cash and cash equivalents			
Operating	Net earnings	**$ 2,242**	$ 2,248
	Amortization	**5,820**	5,372
	Gain on disposal of vehicles and equipment, net	**(522)**	(652)
	Increase in pension liability	**146**	135
	Increase in severance pay liability	**20**	23
		7,706	7,126
	Change in		
	Receivables	**759**	(440)
	Inventories	**(8)**	12
	Prepaids	**(64)**	(102)
	Payables and accruals	**384**	(317)
	Revenue sharing to the Consolidated Fund for the current year	**500**	
	Unearned revenue	**81**	82
		9,358	6,361
Investing	Proceeds from disposal of vehicles and equipment	**1,103**	1,076
	Acquisition of vehicles	**(8,051)**	(6,849)
	Acquisition of office, shop and computer equipment	**(145)**	(7)
	Acquisition of leasehold improvements	**(77)**	(114)
	Cash held for funding of pension liability	**(146)**	(680)
		(7,316)	(6,574)
Financing	Proceeds from Loan Act Authority drawdowns	**3,400**	3,200
	Long term debt repayments	**(3,747)**	(2,984)
	Revenue sharing to the Consolidated Fund	**(2,000)**	(2,000)
		(2,347)	(1,784)
Net decrease in cash		**(305)**	(1,997)
Cash and working capital payable, net			
	Beginning of year	**(1,855)**	142
	End of year	**$ (2,160)**	$ (1,855)

See accompanying notes to the financial statements.

Financial Statements

Statement of Cash Flows
Year Ended March 31
(In thousands)

		2000	1999
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	Long term debt repayments	(3,747)	(2,984)
	Revenue sharing to the Consolidated Fund	(2,000)	(2,000)
		(2,347)	(1,784)
Net decrease in cash		(305)	(1,997)
Cash and working capital payable, net			
	Beginning of year	(1,855)	142
	End of year	$ (2,160)	$ (1,855)

See accompanying notes to the financial statements.

Financial Statements

Notes to the Financial Statements
March 31, 2000
(In thousands)

1. Nature of organization

In 1934 Fleet Vehicles was created as a branch of the Manitoba Provincial Government to provide a centralized fleet management program. It was established to achieve economies of scale and to lower overall fleet costs to government.

Effective April 1, 1992, the Fleet Vehicles branch was designated as a Special Operating Agency under The Special Operating Agencies Financing Authority Act, Cap. S185, C.C.S.M., and operates under a charter approved by the Lieutenant Governor in Council.

The Agency is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances the Agency through repayable loans and working capital advances. This financial framework enables the Agency to operate in a business-like manner according to public policy expectations.

A 1992 Management Agreement between SOAFA and the then Minister of Government Services assigns responsibility to the Agency to manage and account for the Agency-related assets and operations on behalf of SOAFA.

Fleet Vehicles Agency continues to be part of Manitoba Government Services under the general direction of the Assistant Deputy Minister, Supply and Services Division, and ultimately the policy direction of the Deputy Minister and the Minister of Highways and Government Services.

Fleet Vehicles Agency remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided in its charter in order to meet business objectives.

Fleet Vehicles Agency is economically dependent on The Government of Manitoba, as it derives most of its revenue and all of its capital financing requirements from the Province.

2. Significant accounting policies

Basis of reporting

The financial statements of the Agency are presented in accordance with generally accepted accounting principles.

Inventories

Inventories are valued at the lower of cost and market value.

Capital assets

Rates and bases of amortization applied to write off the cost less estimated salvage value of capital assets over their estimated lives is as follows:

Vehicles	30%, declining balance
Vehicles (signed lease agreement)	straight line over term of lease
Office and shop equipment	20%, declining balance
Computer software and equipment	20%, straight line
Leasehold improvements	10%, straight line

Financial Statements

Notes to the Financial Statements
March 31, 2000
(In thousands)

3. Receivables

	2000	1999
Trade	$ 1,512	$ 2,358
Accrued trade	641	567
Insurance agency rebate receivable	260	247
	$ 2,413	$ 3,172

4. Capital assets

	Cost	Accumulated Amortization	2000 Net Book Value	1999 Net Book Value
Vehicles	$ 50,479	$ 24,053	$ 26,426	$ 24,654
Office, shop and computer equipment	824	572	252	186
Leasehold improvements	416	139	277	242
	$ 51,719	$ 24,764	$ 26,955	$ 25,082

5. Pension liability

The employees of Fleet Vehicles Agency are eligible for pension benefits in accordance with the provisions of The Civil Service Superannuation Act. Pursuant to an agreement with the Province of Manitoba, Special Operating Agencies (SOAs) are responsible for the pension liability incurred for their employees only from each Agency's date of designation as a SOA. The methodology for calculating the liability was determined in conjunction with the Province, and the Province has accepted responsibility for the pension liability for prior service, as well as for any variance resulting from the calculation.

Fleet Vehicles Agency, along with all other SOAs, will continue not to turn funds over to the Superannuation Fund. Instead, the Agency has arranged with Treasury Division for a separate investment account in the Agency's name for the deposit of pension-related funds. As of March 31, 2000, $826 has been deposited in this account to approximate the Agency's estimated pension liability to date. In future periods, the Agency is to make a deposit to the account equal to its employees' contributions to the Superannuation Fund during the period. As of March 31 each year, the balance in the separate investment account is to be adjusted to agree with the accumulated pension liability balance, as provided by the Civil Service Commission. Interest earned on the account will be reported in the Agency's Statement of Earnings.

As Fleet Vehicles Agency employees retire, the Civil Service Commission will make current payments to the Superannuation Fund for the retired employees and will recover applicable costs from the Agency, with the Agency reimbursing the Commission from its separate investment account.

Financial Statements

Notes to the Financial Statements
March 31, 2000
(In thousands)

6. *Severance pay liability*

Effective April 1, 1998, the Agency commenced recording accumulated severance pay benefits for its employees. Severance pay is determined by multiplying years of service, to a maximum of 15 years, by the weekly salary at date of retirement, provided the employee has reached nine years of service and retires from the Agency. The estimate is based upon the method of calculation set by the Province of Manitoba.

The Province has accepted responsibility for the severance benefits accumulated by the Agency's employees to March 31, 1998. Accordingly, the opening severance pay liability balance as of April 1, 1998, of $219 was completely offset by a receivable from the Province. There are no terms of repayment for this receivable and the amount will remain fixed at $219.

7. *Working capital payable*

The Agency has an authorized line of working capital advances of $2,500, $2,231 of which was used as of March 31, 2000 (1999: $1,886).

In April 2000, the Agency's authorized line of working capital advances was increased to $4,000 for the 2000/01 year.

8. *Long term debt*

Loan Act Authority is repayable in semi-annual instalments of principal and interest, as follows:

Interest Rate	Instalment Amount	Maturity Date	Principal Balance Owing 2000	1999
7 1/8%	$ 181	March 31, 2001	$ 343	$ 663
7%	601	March 31, 2001	1,142	2,208
6%	469	March 31, 2002	1,743	2,540
5 ½%	289	September 30, 2002	1,335	1,820
5 7/8%	316	March 31, 2003	1,713	2,221
5 ½ %	232	March 31, 2004	1,642	2,000
6%	141	March 31, 2004	988	1,200
6 7/8%	408	March 31, 2005	3,400	
Total principal owing as of March 31			12,306	12,652
Amount due within one year			4,576	3,747
Long term debt as of March 31			$ 7,730	$ 8,905

Financial Statements

Notes to the Financial Statements
March 31, 2000
(In thousands)

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Fleet Vehicles Agency, along with all other SOAs, will continue not to turn funds over to the Superannuation Fund. Instead, the Agency has arranged with Treasury Division for a separate investment account in the Agency's name for the deposit of pension-related funds. As of March 31, 2000, $826 has been deposited in this account to approximate the Agency's estimated pension liability to date. In future periods, the Agency is to make a deposit to the account equal to its employees' contributions to the Superannuation Fund during the period. As of March 31 each year, the balance in the separate investment account is to be adjusted to agree with the accumulated pension liability balance, as provided by the Civil Service Commission. Interest earned on the account will be reported in the Agency's Statement of Earnings.

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Financial Statements

Notes to the Financial Statements
March 31, 2000
(In thousands)

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Amount due within one year			4,576	3,747
Long term debt as of March 31			$ 7,730	$ 8,905

Financial Statements

Notes to the Financial Statements
March 31, 2000
(In thousands)

8. *Long term debt* (continued)

By virtue of the Management Agreement, the Agency is responsible for the repayment of debts assumed by the Special Operating Agencies Financing Authority (SOAFA) on its behalf. SOAFA holds the debt instruments listed above on behalf of Fleet Vehicles Agency.

Unused loan authority of $3,800 was available as of March 31, 1999. An additional $1,000 was approved during the year, for a total available of $4,800. Following the drawdown of $3,400 in March 2000 at 6 7/8% interest to pay for vehicle purchases, there is $1,400 in unused loan authority remaining from The Loan Acts of 1998 ($400) and 1999 ($1,000) as of March 31, 2000.

As of March 31, 2000, principal repayments in each of the next five years are as follows:

2001	$ 4,576
2002	3,279
2003	2,238
2004	1,438
2005	775

9. *Contributed equity*

The Special Operating Agencies Financing Authority (SOAFA) and The Government of Manitoba entered into a Transfer Agreement in connection with the transfer from the Government to SOAFA of assets valued at $12,353 required for the continuing operations of Fleet Vehicles Agency as of March 31, 1992. The Agency has repaid the debt portion in the amount of $8,235 (2/3 of the value of the assets) and has recorded the balance of $4,118 (1/3 of the value of the assets) as the Government's equity in SOAFA relating to the Agency's operations.

10. *Commitments*

(a) Pursuant to a Memorandum of Understanding dated May 31, 1996, the Agency entered into a lease agreement with The Government of Manitoba through Manitoba Government Services for the rental of the facilities at 626 Henry Avenue, Winnipeg, Manitoba. Occupancy charges for each fiscal year including 2000/01 are established annually based on the approved budget for Manitoba Government Services. Occupancy charges for 2000/01 are estimated at $398 for the year, to be paid in semi-annual instalments in July 2000 and January 2001.

(b) The Agency's approved 2000/01 Business Plan calls for $2,000 in revenue sharing to be paid in quarterly instalments to the Consolidated Fund during 2000/01.

Financial Statements

Notes to the Financial Statements
March 31, 2000
(In thousands)

11. *Uncertainty due to the Year 2000 Issue*

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

12. *Requirements of The Public Sector Compensation Disclosure Act*

Pursuant to Section 2(1) of the Act, the following employees of Fleet Vehicles Agency received compensation, directly or indirectly, of $50 or more in the fiscal year ended March 31.

Name	Position	2000	1999
Kathryn Bernhardt	Manager, Support Services	$ 52	$
Donald Chesney	Manager, Fleet	54	50
Dennis Ducharme	Chief Operating Officer	79	67
Jordan Janisse	Systems Supervisor	52	
Albert Ogonoski	Manager, Finance	54	
William Reynolds	Senior Manager, Strategic Planning	56	54
Guy Sinclair	Manager, Operations	55	50

Financial Statements

Notes to the Financial Statements
March 31, 2000
(In thousands)

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The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

12. Requirements of The Public Sector Compensation Disclosure Act

Pursuant to Section 2(1) of the Act, the following employees of Fleet Vehicles Agency received compensation, directly or indirectly, of $50 or more in the fiscal year ended March 31.

Name	Position	2000	1999
Kathryn Bernhardt	Manager, Support Services	$ 52	$
Donald Chesney	Manager, Fleet	54	50
Dennis Ducharme	Chief Operating Officer	79	67
Jordan Janisse	Systems Supervisor	52	
Albert Ogonoski	Manager, Finance	54	
William Reynolds	Senior Manager, Strategic Planning	56	54
Guy Sinclair	Manager, Operations	55	50

Financial Statements

Schedule of Other Revenue and Expenses
Year Ended March 31
(In thousands)

		2000	1999
Other revenue	Service	$ 719	$ 708
	Rebates	536	505
	Autopac service revenue	189	244
		$ 1,444	$ 1,457
Vehicle operating expenses	Amortization	$ 5,719	$ 5,244
	Fuel	4,484	3,829
	Insurance premiums	2,100	2,014
	Repairs and maintenance	2,506	2,309
		$ 14,809	$ 13,396
Administrative expenses	Amortization	$ 101	$ 128
	Fleet management information system	150	29
	Telephone and communication	31	32
	Human resource overhead	407	400
	Occupancy costs	392	384
	Other costs	56	49
	Professional fees	36	32
	SOAFA charges	2	2
	Supplies and materials	63	52
		$ 1,238	$ 1,108

FLEET Facts

Year ended March 31	Projected 2000	**Actual 2000**	Actual 1999
Distance			
Total kilometres driven (000s)	48,964	**53,130**	50,386
Revenue			
Total lease revenue (000s)	$ 18,322	**$ 18,987**	$ 17,307
All other revenue (000s)	$ 1,940	**$ 2,024**	$ 2,148
Total revenue (000s)	$ 20,262	**$ 21,011**	$ 19,455
Average lease rate per kilometre	$ 0.3742	**$ 0.3574**	$ 0.3435
Fleet Composition			
Total number of vehicles - full maintenance	2,477	**2,372**	2,297
Total number of vehicles - dry lease	175	**217**	176
Total number of vehicles in the fleet	2,652	**2,589**	2,473
Vehicle acquisitions	315	**327**	283
Average purchase price (000s)	$ 23.4	**$ 24.6**	$ 24.2
Vehicle disposals	148	**211**	300
Average disposal proceeds (000s)	$ 3.5	**$ 5.2**	$ 3.6
Gain on disposal of vehicles and equipment, net (000s)	$ 370	**$ 522**	$ 652
Average vehicle age (in years)	4.0	**4.2**	4.0
Average vehicle age excluding seasonals (in years)	3.0	**3.2**	3.3
Fuel Consumption			
Litres (000s)	7,345	**7,819**	7,831
Price per litre	$ 0.545	**$ 0.5735**	$ 0.489
Litres consumed per 100 kilometres	15.001	**14.717**	15.542

Financial Statements

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(In thousands)

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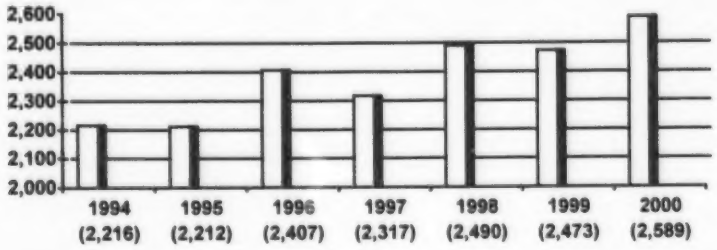
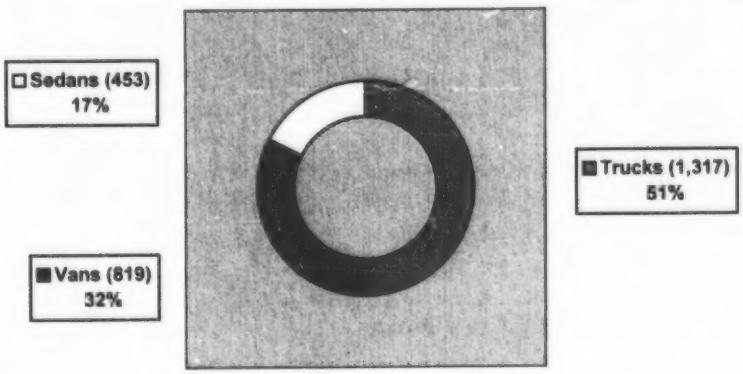
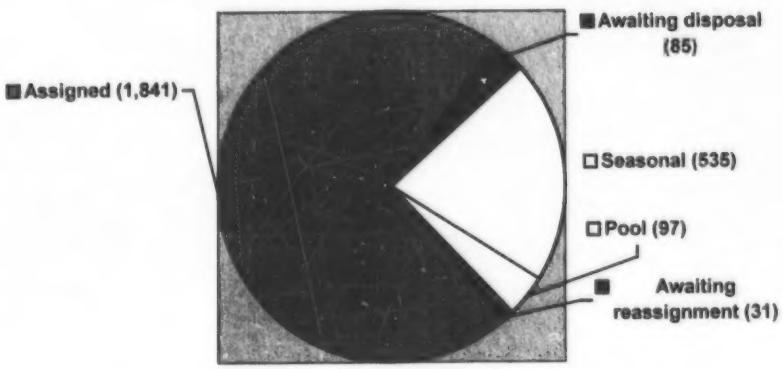
Fleet Size (*in units*)



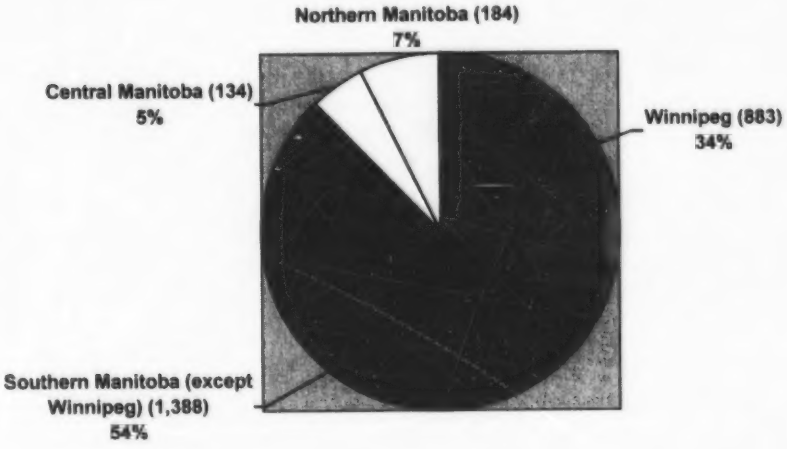
Vehicle Type as of March 31, 2000 (*in units*)



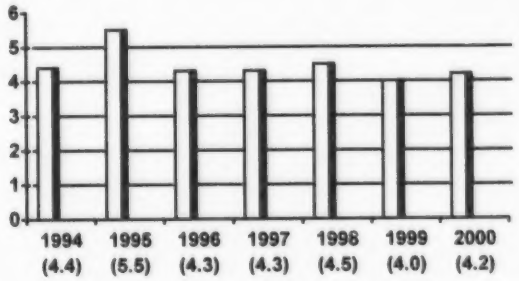
Fleet Composition as of March 31, 2000 (*in units*)



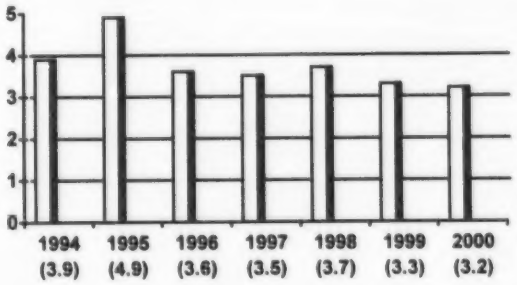
Distribution of Vehicles as of March 31, 2000 (*as designated by MPI regions*)



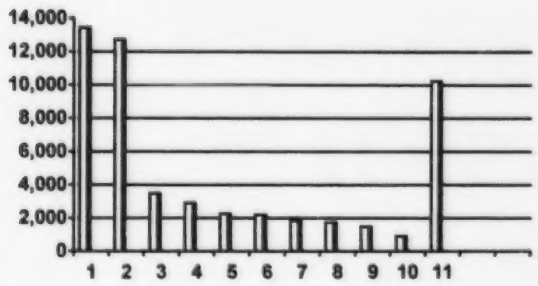
Vehicle Age (*in years, including seasonal vehicles*)



Vehicle Age (*in years, excluding seasonal vehicles*)



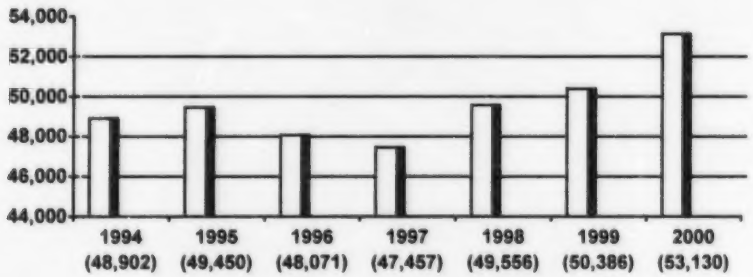
Distance by Department in 1999/2000
(in thousands of kilometres)



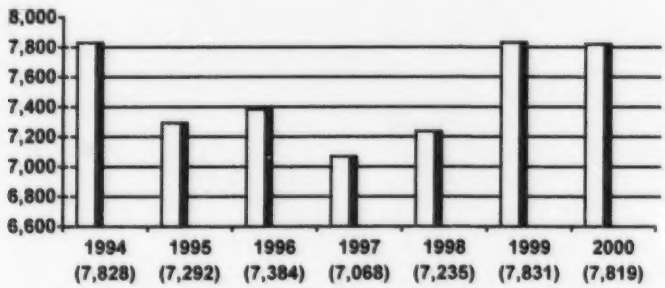
Distance by Department Legend
(in thousands of kilometres)

1.	Highways	13,426
2.	Conservation (formerly Natural Resources)	12,717
3.	Justice	3,466
4.	Family Services	2,908
5.	Manitoba Lotteries	2,240
6.	Intergovernmental Affairs	2,192
7.	Government Services	1,821
8.	Agriculture and Food	1,738
9.	Conservation (formerly Environment)	1,477
10.	Education	899
11.	Other (77 other clients)	10,246

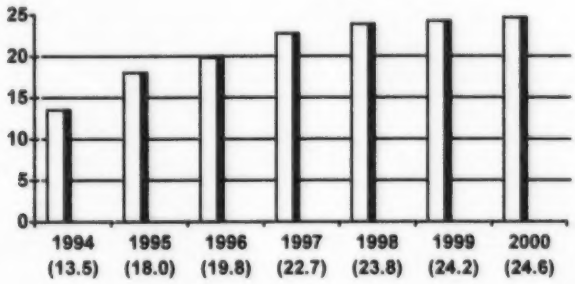
Fleet Distance *(in thousands of kilometres)*



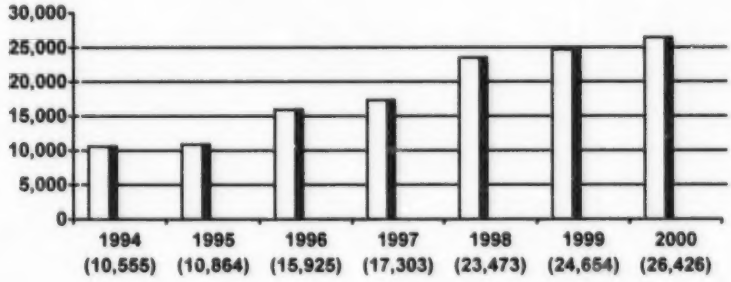
Fuel Consumption *(in thousands of litres)*



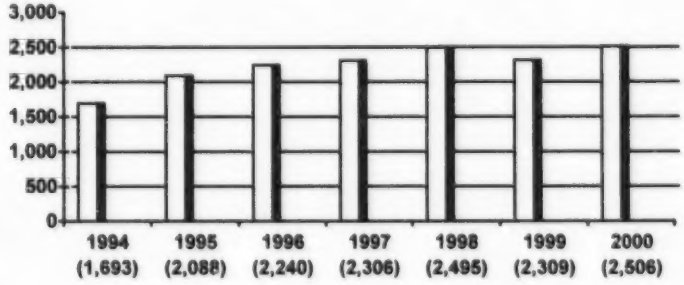
New Vehicles Average Purchase Price (*in thousands of dollars per unit*)



Carrying Value (Cost less Accumulated Amortization) of Vehicles
(in thousands of dollars)



Repair Costs (*in thousands of dollars*)



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Our vision is to provide complete vehicle management services to the broader public sector.